THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.10648 of 2004

Dated:02.11.2006

Between

B.Vijaya

.....Petitioner

and

The Prudential Cooperative Bank Ltd.,
Rep., by its Managing Director.

...Respondent

THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.10648 of 2004

ORDER:

This writ petition is filed seeking a Mandamus to declare the action of the respondent in discriminating the petitioner in applying the interest rates contrary to guide lines contemplated in Banking Regulatory Acts, especially Section 21 of the Act, as arbitrary and illegal.

It appears that the petitioner initially secured a loan of Rs.3,00,000/- subjecting her property to mortgage, and on failure to repay the same, respondent initiated proceedings under the Andhra Pradesh Cooperative Societies Act, 1964. It is her case that the respondent being registered one under the AP Cooperative Societies Act, doing business for all practical purposes, they are bound

by the Banking Regulation Act, 1949 particularly, they shall adhere to Section 21 of the Banking Regulation Act. Respondent charged interest more than 22% for its customers, on loan advance, compared to other banks, whose maximum interest is 18% p,a. This sort of discrimination in awarding the rate of interest by respondent is highly illegal and excessive in view of the standard rate declared by the Reserve Bank of India. The proceedings issued by the arbitrator under OP No.120 of 2001 attained finality. Thereafter, the petitioner deposited 2% of the loan amount under one time settlement scheme. Since the rate of interest calculated by the respondent was very high, discriminatory and, the petitioner was not in a position to pay the amount at all. Under those circumstances, the demand notices under Rule 52 (ii) (e) of Rules of the AP Cooperative Societies Act, for an amount of Rs.10,46,091/- along with interest at 22%, and again, for an amount of Rs.11,06,000/- along with interest at the rate of 23% were issued on 30.4.2004. That itself shows that respondent

has not followed the standard measures of rate of interest, and also the prescribed guide lines.

In the facts and circumstances of the case, I deem it appropriate to dispose of the writ petition with a direction to respondent to consider the case of the petitioner for charging lesser interest taking into consideration the guidelines issued by the Reserve Bank of India from time to time and pass appropriate orders, within a period of six weeks from the date of receipt of a copy of this order.

Writ petition is disposed of accordingly. No costs.

_____

02-11-2006

rkk

THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.10648 of 2004

Dated:02.11.2006